

## **Minutes of the Audit and Governance Committee**

held at 2.00 pm on Monday 27 September 2021

in the Council Chamber, Cedar Drive, Thrapston, Northants, NN14 4LZ.

### **Members in Attendance:**

Councillor Andrew Weatherill (Chair), Councillor Matt Binley, Councillor Bert Jackson (Substitute Member for Councillor Kevin Watt), Councillor Ian Jelley, Councillor Richard Levell, Councillor Paul Marks (Substitute Member for Councillor Kirk Harrison) and Councillor Russell Roberts.

Councillor Lloyd Bunday, Portfolio Holder for Finance and Transformation also attended the meeting.

### **Officers in Attendance:**

Janice Gotts (Executive Director of Finance (s151 Officer)), Mark Dickenson (Assistant Director of Finance and Strategy), Rachel Ashley-Caunt (Head of Internal Audit and Counter Fraud), Neil Harris (Ernst & Young – External Audit), Ciaran McLaughlin (Grant Thornton – External Audit), Dean Mitchell (Group Accountant – North Northamptonshire), Fiona Hubbard (Senior Democratic Services Officer) and Raj Sohal (Democracy Officer).

## **14 Apologies for absence**

Apologies for absence were received from Councillors Kirk Harrison, Peter McEwan, Mark Pengelly and Kevin Watt. Councillor Valerie Anslow was attending the meeting as Councillor Pengelly's Substitute but had to give apologies.

## **15 Declarations of Interest**

There were no declarations received.

## **16 Confirmation of the minutes of the meeting held on 12 July 2021**

The Chair referred to minute 11 of the minutes and informed members that a meeting to review the Audit Planning Memoranda for Kettering Borough Council and Borough Council of Wellingborough took place on Friday 10 September 2021. Councillors Kirk Harrison, Mark Pengelly and Andrew Weatherill attended the meeting and observations were also submitted by Councillor Richard Levell. Janice Gotts (Executive Director of Finance (s151 Officer)) and Mark Dickenson (Assistant Director of Finance and Strategy), Neil Harris (Ernst & Young – External Auditors) and Fiona Hubbard (Senior Democratic Services Officer), were also in attendance.

**RESOLVED** that the minutes of the meeting held on 12 July 2021, be confirmed and signed.

## 17 **Audit Results Report 2020-2021 - Kettering Borough Council**

The circulated report of the Assistant Director of Finance and Strategy was received for the Audit Results Report 2020/2021 for Kettering Borough Council.

Appended to the report was the draft ISA 260 Report in relation to the Statement of Accounts for Kettering Borough Council for 2020/2021 and also the Council's draft Management Representation Letter to Ernst & Young.

The purpose of the report was to present the draft ISA 260 Report in relation to the Statement of Accounts for Kettering Borough Council for 2020/2021 to those charged with Governance. This had been prepared by the Council's External Auditor (Ernst & Young); and also to agree that the approval of the Council's draft Management Representation Letter be delegated to the Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit and Governance Committee.

The report recommended the Committee to approve the Provisional Audit Results Report (draft ISA 260) and the Council's draft Management Representation Letter.

The reason for the recommendation is that it is a statutory requirement for the Council to approve the ISA 260. In accordance with the Council's constitution the Audit and Governance Committee are required to undertake this function.

Neil Harris (Ernst & Young - External Auditor) presented the report which set out the audit results in the audit plan and currently proposes an unqualified audit report and consider the Statement of Accounts to be a true and fair view for the year ending 31 March 2021, with no significant weaknesses. He remarked on the substantial progress that had been made and thanked officers for their cooperation.

In relation to the audits a Councillor asked if there are any concerns which may arise in the future for the new authority. Neil Harris confirmed that Ernst & Young had agreed with the National Audit Office that three months after all the audits of the former Councils have been completed any matters will be consolidated and reported.

The Councillor then asked for confirmation from Ernst & Young that there were no matters of concern arising from Kettering Borough Council's Audit for 2020/2021. Neil Harris confirmed that there were no significant weaknesses to report.

Neil Harris referred members to the report and the areas that were outstanding, some of which were national issues. He briefed members, giving them a thorough explanation of the matters and the timescale when he expected to receive conclusions from specialists involved. These included the IAS 19 Report and net pension disclosures, the updated Going Concern Disclosure note for North Northamptonshire Council and property asset valuations. Members considered the report and appendices and raised a number of questions arising from the outstanding matters and Neil Harris responded to questions of clarification.

Members noted the content of the Letter of Representation to Ernst & Young, which gives the opportunity for the Council to explain any uncorrected differences.

The Chair stated that he was very encouraged to have reached this stage and thanked officers for getting to this point. He commented that it was not an easy task to be running so many audits and year end accounts preparation at the same time. In his opinion he considered the audit to be clean with minor points as potential emphasis of matter. He considered there to be sufficient assurance in relation to the asset valuation and the pension matters were in a controlled environment and a national issue to be resolved.

There were two recommendations in the report. The Chair requested that these be voted on separately.

The recommendation contained in the report to receive the Provisional Audit Results Report to those charged with Governance and approve the draft Management Representation Letter was duly **MOVED** by Councillor Ian Jelley and **SECONDED** by Councillor Richard Levell. On being put to the vote this was carried.

**RESOLVED** that:-

- (i) The Audit and Governance Committee receive the Provisional Audit Results Report to those charged with Governance and approve the draft Management Representation Letter.

The recommendation contained in the report to delegate any adjustments to the draft Management Representation Letter to the Council's Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit and Governance Committee was duly **MOVED** by Councillor Richard Levell and **SECONDED** by Councillor Ian Jelley. On being put to the vote this was carried.

**RESOLVED** that:-

- (ii) The Audit and Governance Committee delegate any adjustments to the draft Management Representation Letter to the Council's Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit and Governance Committee.

## **18 Outturn and draft Statement of Accounts - Kettering Borough Council and Borough Council of Wellingborough**

The circulated report of the Assistant Director of Finance and Strategy was received in relation to the Outturn and draft Statement of Accounts for Kettering Borough Council and Borough Council of Wellingborough.

Appended to the report were the Outturn Reports for Kettering Borough Council and Borough Council of Wellingborough, Kettering Borough Council Draft Accounts 2020/2021 and the Borough Council of Wellingborough Draft Accounts for 2020/2021.

The Council's governance arrangements require the Audit and Governance Committee to receive and approve the Statement of Accounts for the former District and Borough Councils in North Northamptonshire.

The report recommended the Committee to approve the draft Statement of Accounts in relation to Kettering Borough Council for 2020/2021 and to note the draft accounts in relation to the Borough Council of Wellingborough for 2020/2021. The accounts for Wellingborough will be subject to a further report to the Audit and Governance Committee on 8 November 2021.

The reason for the recommendation is that it is a statutory requirement for the Council to approve the annual Statement of Accounts and to consider the External Auditors report (item 4 on the Agenda of this meeting). In accordance with the Council's constitution the Audit and Governance Committee are required to undertake this function.

Prior to presenting his report, the Assistant Director of Finance and Strategy gave a power point presentation to the committee explaining the process, content and update of the Statement of Accounts, together with a timetable of when statements of accounts are expected to be received by the Audit and Governance Committee.

Members considered the report and appendices.

A Councillor commented on the timescale members had in which to read documents of this nature in detail once received and wanted this brought to the Chair's attention. The tight timescale was known and had been approved by the Chair. The Executive Director for Finance (s151 Officer) confirmed that the statement of accounts had been pre-published on the Council's website. The Chair responded that a valid point had been made but these are highly unusual circumstances and it is a monumental task to complete these 6 audits. As a Committee, we need to act collaboratively with advisors and officers and trust and rely on the professionals, as appropriate. In future, it is fully expected that draft accounts would be issued to members of the Committee in advance of the published committee reports, once available on the Council's website.

Another Councillor responded that developing a training programme to assist with the detail within accounts would assist some members of the committee going forward in discharging their responsibilities.

There were three recommendations in the report. The Chair requested that these be voted on separately.

The recommendation contained in the report to approve the draft Statement of Accounts for the financial year 2020/21 for Kettering Borough Council subject to the conclusion of the audit and that there are no material adjustments that impact on the Council's usable reserves, was duly **MOVED** by Councillor Ian Jelley and **SECONDED** by Councillor Russell Roberts. On being put to the vote this was carried.

**RESOLVED** that:-

- (i) Approve the draft Statement of Accounts for the financial year 2020/21 for Kettering Borough Council subject to the conclusion of the audit and that there are no material adjustments that impact on the Council's usable reserves.

The recommendation contained in the report to approve any non-material adjustments required to the draft Statement of Accounts in relation to Kettering Borough Council be delegated to the Councils Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit & Governance Committee, was duly **MOVED** by Councillor Russell Roberts and **SECONDED** by Councillor Matt Binley. On being put to the vote this was carried.

**RESOLVED** that:-

- (ii) Any non-material adjustments required to the draft Statement of Accounts in relation to Kettering Borough Council are delegated to the Councils Executive Director of Finance (s151 Officer), in consultation with the Chair of the Audit & Governance Committee.

The recommendation contained in the report to note the draft Statement of Accounts for the financial year 2020/2021 for the Borough Council of Wellingborough, was duly **MOVED** by Councillor Richard Levell and **SECONDED** by Councillor Russell Roberts. On being put to the vote this was carried.

**RESOLVED** that:-

- (iii) To note the draft Statement of Accounts for the financial year 2020/21 for the Borough Council of Wellingborough.

## **19 Open Audit Actions**

The circulated report of the Head of Internal Audit and Counter Fraud was received, in relation to the Open Audit Actions.

The report noted the approach adopted to follow up open audit actions from the legacy Councils and the findings to date.

Upon the closure of the legacy councils in North Northamptonshire, a number of actions arising from Internal Audit findings remained open. The report provided an overview of those actions which had been inherited, together with an update and proposed approach to the ongoing follow up.

The reason for the recommendation was for the Committee to exercise its duties and responsibilities within its Terms of Reference and to support effective delivery of the Internal Audit service.

The Head of Internal Audit and Counter Fraud presented the report. She explained in detail the breakdown of inherited open audit actions and the timing of the actions to be followed up within planned Internal Audit coverage.

In relation to any open actions for areas of weakness or improvement, officers would be contacted monthly, and this information reported back to Committee.

Members considered the report and raised questions of clarification. These were answered by the Head of Internal Audit and Counter Fraud and related to timescales of audits and safeguarding. In relation to safeguarding, it was considered acceptable to carry forward the open actions as none of the actions had been assigned a high priority and generally related to training policies and corporate procedures.

Members commended and thanked Internal Audit for their work, good approach and best practice.

The recommendation contained in the report was duly **MOVED** by Councillor Richard Levell and **SECONDED** by Councillor Matt Binley. On being put to the vote this was carried.

**RESOLVED** that:-

- (i) The Audit and Governance Committee note the current status of the open action risks and how internal Audit will be seeking assurances that risks are addressed.

## **20 Internal Audit Progress report**

The circulated report of the Head of Internal Audit and Counter Fraud was received in relation to the Internal Audit Progress Report. Appended to the report was the Internal Audit Progress Report for September 2021.

The report provided the committee with a progress update on the work of the Internal Audit team and the key findings from audits completed to date.

The Internal Audit service is delivering against the schedule of work presented to the Audit and Governance Committee at the meeting on 12 July 2021. This plan of work is subject to ongoing review and prioritisation to ensure it focuses on the Council's key risks. During the year to date all assignments planned for the first quarter have been completed and have either been finalised or are in advanced stages of delivery or clearance at the time of reporting. Good progress is being made on progressing quarter two audit work, although some assignments have been delayed to co-ordinate with other developments and work underway in the respective service areas.

The reason for the recommendation was for the Committee to exercise its duties and responsibilities within its Terms of Reference for receiving reports from the Internal Audit service and considering the main issues arising.

The Head of Internal Audit and Counter Fraud presented the report referring to sections in the Internal Audit Progress Report. She informed the committee that the timing of the safeguarding audit had been slightly postponed, but this was a deliberate change as a new Assistant Director had been recently appointed and this was being scoped to commence in October. The Head of Internal Audit and Counter Fraud also referred to the positive counter fraud activity and the work of the Counter Fraud team with the Fraud Hub.

Members raised concerns regarding the bank reconciliations for the former East Northamptonshire Council and Corby Borough Council. The Executive Director of Finance (s151 Officer) stated that she was equally disappointed, but this was progressing with speed. The Chair responded that these Councils are now demised and we now control our environment and this highlighted the importance of Internal Audit. The Executive Director of Finance (s151 Officer) added that a report was being taken to the Executive to bring Internal Audit back inhouse to North Northamptonshire Council as it was currently provided by a number of different organisations collectively.

In light of the bank reconciliations a Councillor commented that we need assurance that the systems are effective now. The Head of Internal Audit and Counter Fraud responded that they would continue to follow up on the recommendations until they were fully satisfied that the work was completed. The Executive Director of Finance (s151 Officer) will support the Head of Internal Audit and Counter Fraud to make necessary changes to keep to deadlines and to achieve changes.

A Councillor remarked that he takes comfort that officers know what they are doing, and the committee has to work with officers and Internal and External Auditors.

Neil Harris (Ernst & Young – External Audit) commented that the bank reconciliations of East Northamptonshire Council and Corby Borough Council will be a significant contrast to the control environments of Kettering Borough Council and the Borough Council of Wellingborough around their bank reconciliations.

The Executive Director of Finance (s151 Officer) reported that they are putting in processes to clear up the back log and for their own professional integrity want accounts presenting correctly.

The Chair summarised that officers are aiming to resolve the problem and that any weaknesses will need addressing.

The recommendation contained in the report was duly **MOVED** by Councillor Richard Levell and **SECONDED** by Councillor Ian Jelley. On being put to the vote this was carried.

**RESOLVED** that:-

- (i) The Audit and Governance Committee note the Internal Audit Progress Report for September 2021.

## **21 External Audit Progress report**

The circulated report of the Executive Director of Finance (s151 Officer) was received to provide the committee with a progress update on the work being undertaken by the external auditor, Grant Thornton. The report also included a sector update which provided a summary of emerging national issues and areas for the Committee to consider in relation to these. Appended to the report was Grant Thornton's North Northamptonshire External Audit Progress Report

The Council's external auditors will undertake initial planning work for the 2021/2022 audit in November/December 2021. The progress report sets out what this initial planning involves and the key deliverables.

The reason for the recommendation was for the Committee to exercise its duties and responsibilities within its Terms of Reference for considering reports of the External Auditor.

The Executive Director of Finance (s151 Officer) introduced the new external auditor for 2021/2022 and confirmed there would be a transition to support and ensure the smooth handover from Ernst & Young to Grant Thornton.

Ciaran McLaughlin (Grant Thornton – External Auditor) introduced himself to the committee and briefed the members on the content of the External Audit Progress Report.

A Councillor raised the question as to the impact of the delays of the legacy audits. Ciaran McLaughlin responded that they would not be able to complete their audit until they are finished; they would be able to do some elements but would not have the final picture.

The recommendation contained in the report was duly **MOVED** by Councillor Matt Binley and **SECONDED** by Councillor Russell Roberts. On being put to the vote this was carried.

**RESOLVED** that:-

- (i) The Audit and Governance Committee note the progress report and sector update in Grant Thornton's North Northamptonshire Audit Progress Report.

**22 Exempt Items**

None notified

**23 Close of meeting**

The meeting closed at 3:28 pm.

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Chair

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Date